

Worksession

Agenda Item #	5
Meeting Date	12 February 2007
Prepared By	Sara Anne Daines HCD Director
Approved By	Barbara Matthews City Manager

Discussion Item	Request from Community Preservation and Development Corporation (CPDC) for consideration of Payment in Lieu of Taxes (PILOT) agreement for Hampshire Towers Apartments, located at 7401 New Hampshire Avenue
Background	<p>Community Preservation and Development Corporation (CPDC), a non-profit affordable housing organization which develops, renovates and manages properties throughout the region, has requested Council consideration of a 22 year PILOT agreement for Hampshire Towers Apartments. Hampshire Towers is a 216-unit apartment building located in Ward 6. Upon completion of the organization's planned purchase and renovation of the property, 94% or 205 of the rental units will be affordable for income qualified households as stipulated in the various financing agreements entered into by CPDC to facilitate the redevelopment of the property.</p> <p>The requested PILOT, if approved by the Council, would provide for the full abatement of local property taxes for a period of 17 years, 75% abatement in the following three years, and a 50% abatement the final two years of the agreement. Montgomery County, which is providing funding for the acquisition and rehabilitation of these properties, will provide a full abatement of county property taxes during the term of their financing agreement.</p> <p>Additional information on the project and justification for the requested PILOT will be presented during the worksession by CPDC representatives, Mr. Gerald H. Joseph, VP Director of Real Estate, and Ms. Shelynda Burney, Real Estate Development Officer.</p>
Policy	<p>"The City Council of the City of Takoma Park supports the provision, enhancement, and protection of affordable housing opportunities throughout our community for all of our citizenry. Working in cooperation with our residents, community leaders, and housing providers, we will provide staff resources and, when available, financial assistance to programs and projects which further our affordable housing goals. We will offer political support to our partners, endorsing affordable housing efforts of other public entities and nonprofit organizations."</p> <p style="text-align: right;">City of Takoma Park Affordable Housing Policy and Action Plan (2002)</p>
Fiscal Impact	Estimated value of requested PILOT based upon information provided by

	Montgomery County Finance Department for Levy Year 2006: Value of Requested 22-Year PILOT: \$ 744,900 (without improvements) \$ 1,325,100 (with planned improvements) Current Assessment \$ 5,630,100
Attachments	CPDC Request for PILOT Calculated Impact of Requested PILOT
Recommendation	To consider CPDC request and provide staff with direction on how to proceed
Special Consideration	Execution of the requested PILOT agreement requires approval of a two-reading ordinance. The first reading of the ordinance is tentatively scheduled for February 20, with the second reading to be considered the following week on February 26.



Community Preservation and Development Corporation

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main 202.895.8900 • fax 202.895.8805

February 2, 2007

Mrs. Sara Daines
Economic and Community Development Director
City of Takoma Park
7500 Maple Avenue
Takoma Park, MD 20912

RE: HAMPSHIRE TOWERS PILOT REQUEST
HAMPSHIRE TOWERS APARTMENTS
7401 NEW HAMPSHIRE AVENUE, TAKOMA PARK, MD

Dear Mrs. Daines:

This letter serves as CPDC Hampshire Towers Rental LLC's application per the City of Takoma Park Payment in Lieu of Taxes (PILOT) agreement program for the 216-unit Hampshire Towers multi-family rental property. The requested PILOT is 100% full abatement for 17 years, with a graduated abatement of 75% abatement in the following three years and 50% abatement the next two years. The terms of the application are consistent with the term of financing from our permanent lender, Citibank. In addition, Montgomery County, which is providing funding for the acquisition and rehabilitation of this property, will provide a full abatement of county property taxes during the term of the County regulatory agreement.

CPDC Hampshire Towers Rental LLC acquired the property on May 31, 2006 with the purpose of substantially renovating and preserving the property as long term quality affordable housing with the support of the State of Maryland Community Development Administration's tax-exempt bond financing and 4% tax credit affordable housing financing programs and Montgomery County's DHCA housing trust program.

We are requesting an immediate abatement of full property taxes for the 2007 property taxes. We calculate a current assessment of \$35,000. The reduction in operating expenses during the interim period are needed to support the additional short-term bridge financing required to pay-off the equity advanced to acquire the property on May 31, 2006 from our partner, Tenacity Group.

Based on the anticipated capital improvements we estimate the tax assessment in 2010 to be approximately \$75,000. The effect of the PILOT agreement is that the property is able to support an additional \$993,000 of tax-exempt housing bonds, which will fund the rehabilitation costs of the property.

1. Property Address: 7401 New Hampshire Avenue, Takoma Park, MD 20912
2. Owner Name (ownership diagram enclosed):
Owner: CPDC Hampshire Towers Rental LLC, a for-profit Limited Liability Company
Majority Member: CPDC Hampshire Towers, Inc, a for-profit corporation
Sole owner of shares of CPDC Hampshire Towers, Inc.: Community Housing Inc., a
non-profit organization
3. Tax Identification Number: 20-490-4116
4. Total Number of Units: 216
5. Total Number of Affordable Units: 205
6. Affordability Period: 40 years
 - a. Sources of Restrictions: Permanent Financing Applied for:

Description	Amount	Income Restriction	Regulatory Agreements
Tax-exempt housing bonds, first mortgage	\$15,500,000, approximate	30% of units < 50% of the AMI; 30% of units < 60% of the AMI	Regulatory agreements will not be produced until late 2007/ early 2008
Montgomery County housing trust funds	\$9,000,000	10% of units < 30% of the AMI; 30% of units < 50% of the AMI; 30% of units < 60% of the AMI	Regulatory agreements will not be produced until late 2007/ early 2008
Low Income Housing 4% Tax Credits	\$9,950,000 approximate	95% of units < 60% of the AMI.	Regulatory agreements will not be produced until late 2007/ early 2008

7. Hampshire Towers Attorney's Contact Information:
 Jonathan Klein
 Klein Hornig LLP
 145 Tremont St, Suite 400
 Boston, MA 02111

Please contact me if you have any questions about this application and the enclosed information. We greatly appreciate the City of Takoma Park support of this project.

Sincerely,


 Shelynda Burney

Community Preservation and Development Corporation
New Hampshire Towers Apartments

IMPACT OF REQUESTED PILOT based upon current assessment

Abatement Year	Requested PILOT	Local Property Taxes Generated by Rental Facility PRIOR to Planned Improvements	Value of Proposed PILOT	Property Taxes Collected by City	Value per rental unit per month (16 units)
1	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
2	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
3	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
4	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
5	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
6	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
7	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
8	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
9	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
10	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
12	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
13	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
14	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
15	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
16	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
17	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
18	75%	\$35,469.63	\$26,602.22	\$8,867.41	\$10.26
19	75%	\$35,469.63	\$26,602.22	\$8,867.41	\$10.26
20	75%	\$35,469.63	\$26,602.22	\$8,867.41	\$10.26
21	50%	\$35,469.63	\$17,734.82	\$17,734.82	\$6.84
22	50%	\$35,469.63	\$17,734.82	\$17,734.82	\$6.84
Total Value		\$744,862.23	\$682,790.38	\$62,071.85	

IMPACT OF REQUESTED PILOT based upon anticipated assessment

Abatement Year	Requested PILOT	Local Property Taxes Generated by Rental Facility FOLOWING Planned Improvements	Value of Proposed PILOT	Property Taxes Collected by City	Value per rental unit per month (16 units)
1	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
2	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
3	100%	\$35,469.63	\$35,469.63	\$0.00	\$13.68
4	100%	\$75,000.00	\$75,000.00	\$0.00	\$28.94
5	100%	\$75,000.00	\$75,000.00	\$0.00	\$28.94
6	100%	\$75,000.00	\$75,000.00	\$0.00	\$28.94
7	100%	\$75,000.00	\$75,000.00	\$0.00	\$28.94
8	100%	\$75,000.00	\$75,000.00	\$0.00	\$28.94
9	100%	\$75,000.00	\$75,000.00	\$0.00	\$28.94
10	100%	\$75,000.00	\$75,000.00	\$0.00	\$28.94
12	100%	\$75,000.00	\$75,000.00	\$0.00	\$28.94
13	100%	\$75,000.00	\$75,000.00	\$0.00	\$28.94
14	100%	\$75,000.00	\$75,000.00	\$0.00	\$28.94
15	100%	\$75,000.00	\$75,000.00	\$0.00	\$28.94
16	100%	\$75,000.00	\$75,000.00	\$0.00	\$28.94
17	100%	\$75,000.00	\$75,000.00	\$0.00	\$28.94
18	75%	\$75,000.00	\$56,250.00	\$18,750.00	\$21.70
19	75%	\$75,000.00	\$56,250.00	\$18,750.00	\$21.70
20	75%	\$75,000.00	\$56,250.00	\$18,750.00	\$21.70
21	50%	\$75,000.00	\$37,500.00	\$37,500.00	\$14.47
22	50%	\$75,000.00	\$37,500.00	\$37,500.00	\$14.47
Total Value		\$1,456,408.89	\$1,325,158.89	\$131,250.00	